

Message Text

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PAGE 01 BAGHDA 01306 240617Z
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 XMB-02 OPIC-03 /129 W
-----036717 241640Z /43

R 221100Z JUN 78
FM USINT BAGHDAD
TO SECSTATE WASHDC 6373
INFO USDOC WASHDC
AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY SANA
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI

C O N F I D E N T I A L BAGHDAD 1306

E.O. 11652: XGDS-4
TAGS: ETRD, BEXP, IZ
SUBJECT: EAA REGULATIONS: IRAQI BOYCOTT POLICY

1. NEW INFORMATION HAS BECOME AVAILABLE CONCERNING RUMORED
CONFIDENTIAL

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PAGE 02 BAGHDA 01306 240617Z

STIFFENING OF IRAQI BOYCOTT POLICY AS EAA REGULATIONS COME
INTO FULL FORCE. GOI HAS APPARENTLY AUTHORIZED CERTAIN
EXCEPTIONS THAT MAY FACILITATE DIRECT ENTRY OF U.S. FIRMS
INTO THIS MARKET, IN SOME CASES, BUT HAS SIMULTANEOUSLY
TIGHTENED LOOPHOLES WHICH HAVE HERETOFORE PERMITTED
U.S. GOODS TO ENTER IRAQ THROUGH THIRD COUNTRIES.

2. USINT LOCAL STAFF MEMBER WAS PERMITTED TO READ IMPLEMENTING REGULATIONS CONCERNING GOI BOYCOTT POLICY IN THE FOREIGN GUARANTEES DEPARTMENT OF THE RAFIDAIN BANK. INSTRUCTIONS, ISSUED IN JANUARY AND MARCH 1978, STATE THAT NO L/C'S IN FAVOR OF U.S. BENEFICIARIES ARE TO BE OPENED OR EXTENDED AFTER JUNE 21, 1978, UNLESS GOI BOYCOTT PROVISIONS HAD BEEN COMPLIED WITH OR UNLESS THE GOI CONTRACTING AGENCY SPECIFICALLY REQUESTS WAIVER OF BOYCOTT REQUIREMENTS.

3. EXEMPTION FROM THE REQUIREMENT TO FURNISH STATEMENTS CONCERNING NATURE OF A FIRM'S RELATIONSHIP WITH ISRAEL IS GRANTED TO ALL FOREIGN COMPANIES THAT HAVE FURNISHED SUCH STATEMENTS IN THE PAST AND TO THOSE HAVING REGISTERED AGENTS OR BRANCH OFFICES IN IRAQ. FYI: GOI REGULATIONS CONCERNING REGISTRATION OF AGENCY AGREEMENTS AND BRANCY OFFICES REQUIRE SUBMISSION OF A SEVEN-POINT BOYCOTT STATEMENT.

4. A U.S. CONSTRUCTION MACHINERY MANUFACTURER WITH A REPAIR PARTS WAREHOUSE IN BELGIUM WAS RECENTLY REFUSED REQUIRED CERTIFICATIONS ON POSITIVE CERTIFICATES OF ORIGIN BY AN IRAQI EMPLOYEE OF THE ARAB-BELGIUM-LUXEMBOURG CHAMBER OF COMMERCE AND THE IRAQI EMBASSY IN BRUSSELS. THE SHIPMENT IN QUESTION CONTAINED GOODS OF SEVERAL ORIGINS. THE IRAQI EMBASSY IN BONN HAS REFUSED TO CERTIFY SIMILAR DOCUMENTS PRESENTED BY KARL KOLB, A MAJOR GERMAN SUPPLIER OF U.S. INSTRUMENTS AND PHARMACEUTICALS. IN BOTH CASES THE IRAQI AUTHORITIES
CONFIDENTIAL

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PAGE 03 BAGHDA 01306 240617Z

HAVE DEMANDED NEGATIVE CERTIFICATES OF ORIGIN FROM THE U.S. MANUFACTURER. THIS PROCEDURE CAN BE USED TO RESTRICT THE IMPORTATION OF U.S. ORIGIN GOODS VIA THIRD COUNTRIES.

5. ON THE OTHER HAND, A CIRCULAR ISSUED IN MARCH SAYS THAT BOYCOTT STATEMENTS ISSUED BY FOREIGN FIRMS WHICH HAVE HAD CONTRACTS TO EXECUTE PROJECTS OR TO SUPPLY COMMODITIES IN ANY OTHER ARAB COUNTRY WILL, QUOTE, BE TAKEN INTO CONSIDERATION AS IF THE STATEMENTS WERE ISSUED IN IRAQ, UNQUOTE. IT IS ALSO CLEAR THAT MINISTERS, HEADS OF SUPERVISORY STATE ORGANIZATIONS, AND DIRECTORS-GENERAL OF STATE IMPORTING ESTABLISHMENTS HAVE BEEN GRANTED AUTHORITY TO WAIVE BOYCOTT REQUIREMENTS FOR URGENTLY NEEDED ITEMS.

6. COMMENT: IT IS DIFFICULT TO ASSESS THE IMPACT OF THESE BOYCOTT ACTIONS ON THE PRESENT LEVEL OF U.S. -IRAQI TRADE. RAFIDAIN BANK OFFICIALS DOUBT THAT THE REGULATIONS WILL SUBSTANTIALLY REDUCE THE VOLUME OF L/C'S ISSUED TO U.S. FIRMS. ON THE OTHER HAND, AMERICAN BUSINESSMEN OFTEN REMARK THAT IRAQI BUREAUCRATS ARE FELUCTANT TO STICK THEIR NECKS OUT BY REQUESTING EXCEPTIONS TO BOYCOTT RULES. IMPLEMENTATION OF BOYCOTT POLICY VARIES FROM ONE STATE ORGAN TO ANOTHER

AND SOMETIMES DEGREES OF FLEXIBILITY CAN BE DISCERNED
WITHIN THE SAME MINISTRY. THE NEW PROVISION CONCERNING
ACCEPTABILITY OF BOYCOTT INFORMATION FURNISHED IN OTHER
ARAB STATES MAY OFFER SCOPE FOR ENTRY OF NEW-TO-MARKET FIRMS
ALTHOUGH THE INITIATIVE TO OBTAIN SUCH INFORMATION WOULD
HAVE TO BE TAKEN BY THE IRAQIS. USINT NOTES THAT THE
TRADE REGULATION COUNCIL'S DECISION NUMBER 54 PERMITS
IMPORTATION OF URGENTLY-NEEDED GOODS EVEN FROM BLACKLISTED
FIRMS AND SUGGESTS THAT THIS IS THE KEY TO UNDERSTANDING IRAQI
BOYCOTT POLICY: IRAQ WILL BUY MOST OF ITS REQUIREMENTS FROM
NON-U.S. SOURCES BUT WILL WAIVE BOYCOTT RULES AS IT DEEMS
NECESSARY. U.S. FIRMS WILL STILL FIND OPPORTUNITIES IN
HIGH TECHNOLOGY AREAS AND MAJOR PROJECTS.

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PAGE 04 BAGHDA 01306 240617Z

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BOYCOTTS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 22 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BAGHDA01306
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X4
Errors: N/A
Expiration:
Film Number: D780263-1099
Format: TEL
From: BAGHDAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780632/aaaabbpk.tel
Line Count: 136
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 99abbf83-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2254599
Secure: OPEN
Status: NATIVE
Subject: EAA REGULATIONS: IRAQI BOYCOTT POLICY
TAGS: ETRD, BEXP, IZ
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/99abbf83-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014